

**IRON COUNTY LODGING COUNCIL**  
**AUDITED FINANCIAL STATEMENTS**

Fiscal Year Ended September 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Iron County Lodging council</b>	County <b>Iron</b>
Audit Date <b>9/30/04</b>	Opinion Date <b>12/30/04</b>	Date Accountant Report Submitted to State: <b>1/7/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

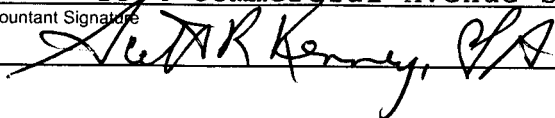
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                                                     |                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                      |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                     |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                         |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>Scott R. Kenney, CPA</b>			
Street Address <b>1374 Commercial Avenue Ste. 1</b>		City <b>Crystal Falls</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49920</b>	Date <b>1-7-05</b>

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# SCOTT R. KENNEY

*Certified Public Accountant*

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Iron County Lodging Council  
Iron River, Michigan 49935

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of the Iron County Lodging Council (f/k/a Iron County Tourism Council) as of September 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Council's officers. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iron County Lodging Council, as of September 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Certified Public Accountant

December 30, 2004

Member  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants

IRON COUNTY LODGING COUNCIL  
STATEMENT OF FINANCIAL POSITION  
September 30, 2004

UNRESTRICTED  
OPERATIONS

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 5,100
Accounts receivable	<u>3,852</u>

TOTAL ASSETS \$ 8,952

LIABILITIES AND NET ASSETS

LIABILITIES - Accounts payable	\$ 514
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NET ASSETS - Unrestricted	\$ <u>8,438</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 8,952

The notes to financial statements are an integral part of these financial statements.

IRON COUNTY LODGING COUNCIL  
STATEMENT OF ACTIVITIES  
Year ended September 30, 2004

UNRESTRICTED  
OPERATIONS

SUPPORT AND REVENUES

Tourism assessments	\$	39,765	
Other		22	
Interest		<u>195</u>	

TOTAL SUPPORT AND REVENUES	\$	<u>39,982</u>
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EXPENSES

PROGRAM SUPPORT

Advertising	\$	7,650	
Web site		1,027	
Printing and distribution		36,936	
Memberships, dues, fees and donations		<u>4,490</u>	50,103

ADMINISTRATIVE

Contracted and professional services	\$	2,197	
Supplies and postage		151	
Other		<u>64</u>	<u>2,412</u>

TOTAL EXPENSES	\$	<u>52,515</u>
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CHANGE IN NET ASSETS	\$	(12,533)
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Net assets - beginning		<u>20,971</u>
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NET ASSETS - ENDING	\$	<u><u>8,438</u></u>
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The notes to financial statements are an integral part of these financial statements.

IRON COUNTY LODGING COUNCIL  
STATEMENT OF CASH FLOWS  
September 30, 2004

	<u>UNRESTRICTED</u> <u>OPERATIONS</u>
OPERATING ACTIVITIES	
Changes in net assets	\$ (12,533)
(Increase) in operating assets:	
Accounts receivable	(14)
(Decrease) in operating liabilities:	
Accounts payable	<u>(288)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ (12,835)
Net Assets - beginning	\$ <u>17,935</u>
NET ASSETS - ENDING	<u><u>5,100</u></u>

The notes to financial statements are an integral part of these financial statements.

IRON COUNTY LODGING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Iron County Lodging Council (Council) was organized in 1987 and covers all of Iron County, Michigan. It provides advertising and promotional activities to the general public regarding Iron County and the various recreational activities that occur within the County. During the year, the Council changed its name from the Iron County Tourism Council.

The accounting policies of the Council conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

METHOD OF ACCOUNTING

These financial statements have been prepared utilizing the accrual basis of accounting.

BASIS OF PRESENTATION

The Council adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Council is required to present a statement of cash flows. The Council did not have any restricted balances, either temporary or permanent, as of September 30, 2004 nor any restricted activities to report for the year then ended.

INCOME TAXES

The Council is exempt from income taxes under Internal Revenue Code Section 501(c)(6) and is not a private foundation.

NOTE B - CASH AND EQUIVALENTS

Cash is deposited into an interest bearing money market account and subsequently transferred to the general checking account in amounts required to meet current obligations. For purposes of the statement of cash flows, the Council considers all unrestricted investments with an initial maturity of less than six months to be cash equivalents.

At year end, the carrying amount of the Council's deposits (checking, money market and certificates of deposit) was \$5,100. The Council's deposits are in accordance with statutory authority. The bank balance is entirely insured by the FDIC.



IRON COUNTY LODGING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2004

NOTE C - TOURISM ASSESSMENTS

Tourism assessments are collected on gross short term (less than thirty consecutive days) room rentals from motels, hotels and resorts with ten or more rental units. The rental base is the same as the base used for Michigan use tax. The assessments are two percent (2%) of the rental base.

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Iron River, MI 49935

In conjunction with the audit of the financial statements of the Iron County Lodging Council (Council), as of and for the year ended September 30, 2004, I have reviewed the Council's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Council's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Council and its officers and should not be presented or quoted to anyone outside of the Council because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof.

1. **OBSERVATION** - While testing the cash disbursements for the year, one invoice for advertising in the amount of \$3,600 was not able to be located. The check in payment of the invoice was dated November 13, 2003.

**RECOMMENDATION** - I recommend that all invoices be made available to the Board for their review and the invoices be carefully filed subsequent to payment.

I would like to thank the Council for again allowing me to conduct the audit of the financial statements.

  
Certified Public Accountant

December 30, 2004